





MEMORANDUM FOR: DCI .

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This was handed to Mr. Gates at
your meeting with Deputy Secretary
Whitehead on 3 September.

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 -  said Judge
saw this previously.
Should I send to anyone
in particular? 

Date 4 Sept. 1987

THE SECRETARY OF STATE
WASHINGTON

August 31, 1987

Dear Bill:

I want to bring to your attention a significant threat to the State Department's budget that will have severe policy implications for all of us in the Cabinet. The House recently has approved a massive reduction in the appropriation for U.S. assessed contributions to international organizations. If the House level is sustained in the Senate, we will fall \$340 million short in our payments due in FY 1988 to these important international bodies.

The extent of my concern about the House action is indicated in the enclosed copy of a letter I sent recently to Senator Hollings, chairman of the appropriations subcommittee with jurisdiction over the contributions account. In addition to the damaging foreign policy implications that the House action would have, I believe it is important for Members of the Senate to understand that such a cutback in U.S. participation in international organizations would have serious policy consequences for almost all agencies in the Executive Branch.

I strongly urge that you indicate to Congress in the clearest terms possible your own concerns about such cutbacks in our assessed contributions to international organizations. I encourage you to stress the importance of maintaining the overall level of the account with special reference to organizations of particular interest to your agency. In making your contacts on the Hill, you should also stress the importance of providing adequate funding for the contributions account without further eroding the already depleted State Department personnel budget.

The Honorable
William H. Webster,
Director of Central
Intelligence.

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Assistant Secretary for International Organization Affairs
Alan Keyes and his staff have been in contact with their
counterparts in your agency about this matter. They look
forward to following up on this letter and providing any
assistance that could be helpful.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'G. Shultz', is centered below the closing.

George P. Shultz

Enclosure:

As stated.

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THE SECRETARY OF STATE
WASHINGTON

August 5, 1987

Dear Mr. Chairman:

You are aware of my concerns about the inadequacy of funds being made available for the effective pursuit of U.S. foreign policy objectives. At a time of increased international complexities, tensions, challenges and opportunities, the United States, the leading nation of the free world is being forced to retrench at the very moment we should be moving forcefully forward. The FY 1988 State Operations funding level, recently passed by the House, is approximately 23.3% or \$767 million below the President's request, which has a negative impact on virtually every aspect of State Department operations.

The level approved by the House (\$373 million) would allow for less than two-thirds of our Contributions to International Organizations requirements. This is compounded by the additional House decision to defer \$142 million of outlays until October 1988, allowing us to meet only 40% of the payments due in FY 1988.

Because the UN and its affiliated agencies represent more than 70% of the account, and because of the importance of other large organizations in the account (e.g., NATO, OECD, OAS), the UN agencies would have to absorb most of the House cutback. We would have to determine those organizations in which U.S. participation could be severely reduced--even tantamount to withdrawal--in order to preserve our interests in others more important. This would seriously damage the U.S. position in these agencies at a time when the UN's usefulness is especially apparent because of its role in the Iran-Iraq conflict. It also is ironic that just when we, with the assistance of the Congress, finally have achieved a means for making use of U.S. financial leverage in the UN and its affiliated agencies, the Congress may eliminate this unique means for exercising our influence.

The Honorable
Ernest F. Hollings, Chairman,
Subcommittee on Commerce, Justice, State,
the Judiciary, and Related Agencies,
Committee on Appropriations,
United States Senate.

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Modification of the Kassebaum/Solomon Amendment has been approved by the House and recommended by the Senate Foreign Relations Committee. Both actions clearly indicate Congressional support for the Administration's position that the UN reform measures approved last December, provided they are implemented, would satisfy the basic intent of the Kassebaum/Solomon Amendment. As the President has indicated, these reforms represent "an historic step" and the United States is "committed to working closely with other member states and with the Secretary General to see that the reforms are faithfully implemented and to secure the organization's future." Unless the House action on the CIO account is reversed, these objectives cannot be met.

For Salaries and Expenses, this represents a \$212 million shortfall below the President's request and approximately \$139 million below the level needed to operate minimally at the same level as in FY 1987. Needless to say, this will result in employment reductions, post closings, and other reductions at the same time we are confronting critical issues such as trade, arms reduction, and the Middle East. If our diplomacy is to succeed on these and other activities, we must have adequate resources available and the flexibility to use them in response to unforeseen situations.

The Security program would be seriously hurt under the House bill. The Salaries and Expenses level provided for Security is \$104 million below the President's request--while the 1988 Buildings program, including resources for high threat posts such as Quito, Athens, Rabat and Ankara, is eliminated. The cutbacks will seriously erode promising gains in our fight against terrorism and narcotics.

I fully realize these are difficult budgetary times. I also believe it is essential that the Congress provide adequate funding to support our nation's foreign policy apparatus. Therefore, when you and your colleagues begin to consider our request, I urge you to provide the maximum level of resources. Unless the House action on State Department operations is reversed, I fear permanent damage will be done to U.S. foreign policy.

Sincerely yours,



George P. Shultz

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THE SECRETARY OF STATE
WASHINGTON, D.C. 20520

The Honorable
William H. Webster,
Director of Central
Intelligence.

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